

FINAL BILL REPORT

E2SHB 1910

PARTIAL VETO

C 430 L 07

Synopsis as Enacted

Brief Description: Modifying property tax exemption provisions relating to new and rehabilitated multiple-unit dwellings in urban centers to provide affordable housing requirements.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Ormsby, Fromhold, Miloscia, Dunshee, Kenney, Appleton, Darneille, Hasegawa and Morrell).

House Committee on Housing

House Committee on Finance

Senate Committee on Consumer Protection & Housing

Senate Committee on Ways & Means

Background:

New, rehabilitated, or converted multi-unit housing projects in targeted residential areas are eligible for a 10-year property tax exemption offered by eligible and participating cities. The property tax exemption may be applied to new housing construction and to the increased value of a building due to rehabilitation. The exemption does not apply to the land or the non-housing improvements. If the property changes use before the 10-year exemption ends, then back taxes are recovered based on the difference between the taxes paid and the taxes that would have been paid without the tax exemption.

Cities with a population of at least 30,000 or the largest city or town in a county planning under the Growth Management Act (GMA) may offer the multi-unit housing property tax exemption.

There are a variety of requirements all multi-unit housing projects must meet to be eligible for a tax exemption, including:

- the housing must be located in a residential targeted area as designated by the city;
- 50 percent of the space must be for permanent residential occupancy;
- new construction must be completed within three years of approval of the application;
- property to be rehabilitated must be vacant at least 12 months prior to application;
- the applicant must enter into a contract with the city and agree to terms and conditions;
- and
- the housing must meet additional guidelines adopted by the city which may include density, size, parking, low-income occupancy, and others.

Fifty cities qualify to utilize the tax exemption program. Sixteen cities have utilized the program. Two cities (Seattle and Kirkland) include affordable housing requirements for multi-unit housing projects.

Summary:

Cities eligible to offer the multi-unit housing property tax exemption are: those with a population of at least 15,000 people; the largest city or town located in a county planning under the GMA if there is no city with a population of at least 15,000; and cities with populations of at least 5,000 within "buildable lands" counties under the GMA.

Housing Affordability Component.

A property for which an application for a certificate of tax exemption is submitted after the effective date of the act may be eligible for an eight-year tax exemption. If the property owner commits to renting or selling at least 20 percent of units as affordable housing units to low and moderate income households, the property may be eligible for a 12-year exemption. In the case of properties intended exclusively for owner-occupancy, the state affordable housing requirement may be satisfied by providing 20 percent of units as affordable to moderate-income households. Cities may impose additional affordable housing requirements, limits and conditions.

Low-income households are defined as those making at or below 80 percent of the area median income. Moderate-income households are defined as those making at or below 115 percent of the area median income. Income level thresholds are increased to 100 percent and 150 percent of the area median income for low-income and moderate-income households, respectively, for high-cost areas which are defined as counties where the third quarter median house price for the previous year is greater than 130 percent of the statewide median house price.

Tax Exemptions for Individual Dwelling Units.

At the discretion of the local government, the exemption of individual dwelling units is allowed. In such cases, the tax exemption may be limited to the value of the qualifying improvements within those individual dwelling units.

City Reporting Requirements.

Beginning in 2007, all cities issuing tax exemptions must report annually to the Department of Community, Trade and Economic Development regarding tax exempt properties. The annual report must include the following:

- the total number of tax exemptions granted and the total value of those exemptions;
- the total number of units produced and the total development cost of each unit;
- the total monthly rent of each unit or the total sale price of each unit; and
- the income of each renter at occupancy of a rental unit, and the income of each initial purchaser of a homeownership unit.

Votes on Final Passage:

House 61 35
Senate 41 2 (Senate amended)
House 63 31 (House concurred)

Effective: July 22, 2007

Partial Veto Summary: The Governor vetoed the emergency clause.